

Company Registration Number: 08706625 (England and Wales)

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

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THE DURHAM UTC LIMITED
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REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018

Members

Gestamp Tallent Limited
Hitachi Rail Europe Limited
University of Sunderland

Trustees

D Land, Chair¹
Prof. G Holmes, Vice Chair¹
S Atkinson (resigned 26 January 2018)
J Bailey (appointed 28 September 2018)
TC Dower, Accounting Officer¹
P A Gallone
N Harding (appointed 26 January 2018)
Prof I G Neal
M Reid
L Shepherd
Dr R Trimble (appointed 26 January 2018)
H A Whalley (resigned 31 August 2018)¹

¹ Resources and Finance Committee

Company registered number

08706625

Company name

The Durham UTC Limited

Principal and registered office

Long Tens Way
Aycliffe Business Park
Newton Aycliffe
DL5 6AP

Company secretary

J M Bell

Senior leadership team

TC Dower, Headteacher
J Trapp, Deputy Headteacher
J M Bell, School Business Manager

Independent auditors

Clive Owen LLP
Chartered Accountants
and Statutory Auditor
140 Coniscliffe Road
Darlington
County Durham
DL3 7RT

THE DURHAM UTC LIMITED
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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2018

Bankers

Barclays Bank plc
53 Fawcett Street
Sunderland
Tyne and Wear
SR1 1RS

Solicitors

Legal, Governance and Business Assurance
4th Floor, Edinburgh Building
University of Sunderland
Chester Road
Sunderland
Tyne and Wear
SR1 3SD

THE DURHAM UTC LIMITED
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2017 to 31 August 2018. The Annual Report serves the purposes of both a Trustees' Report, and a Directors' report under company law.

Following the opening in September 2016, the trust operates a University Technical College (the "academy trust") for pupils aged 14 to 19 years serving a catchment area in County Durham and Darlington. It had a pupil capacity of 600 and had a roll of 356 in the school census on 4 October 2018.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The Trustees of The Durham UTC Limited are also the Directors of the charitable company for the purposes of company law. The charitable company is known as The Durham UTC Limited, trading as UTC South Durham.

Details of the Trustees who served during the year are included in the Reference and Administrative Details on page 1.

Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

Trustees' indemnities

The academy trust has insurance under the Department for Education's RPA scheme to protect Trustees from claims arising against negligent acts, errors or omissions occurring whilst on academy trust business. Further details are shown in note 11.

Method of recruitment and appointment or election of Trustees

The first Trustees (referred to as 'Governors' in the academy trust's articles of association) were those persons named in the statement delivered pursuant to sections 9 and 12 of the Companies Act 2006. The Members of the academy trust (being the members of the company) may appoint up to 6 Trustees, ensuring that nominees of the Employer Sponsors and University Sponsor together form a majority. The Employer Sponsors (Gestamp Tallent Limited and Hitachi Rail Europe Limited) and the University Sponsor (University of Sunderland) each have the right to appoint and remove one Trustee. The Headteacher is treated as an ex officio Trustee. The Members may appoint staff trustees through such process as they may determine, provided that the number of Trustees employed by the academy trust, including the Headteacher, does not exceed one third of the total. Parent Trustees shall be elected by parents of registered pupils, but if any vacancies remain they can be filled by appointments by the Members. The Members may appoint three co opted Trustees.

The term of office for any Trustee shall be 4 years, save that this time limit shall not apply to the Headteacher or any post held ex officio. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re appointed or re elected.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Policies and procedures adopted for the induction and training of Trustees

The training and induction provided for new Trustees depends on their existing experience and tends to be done informally. Where necessary induction and training is provided on charity, educational, legal and financial matters. A skills audit is undertaken periodically to identify skills gaps to support the appointment of Trustees and to identify training needs.

Organisational structure

The academy trust opened in September 2016. Day to day management is with the Headteacher but any key decisions continue to be made by the Trustees. Full Trustees' meetings occur three times a year and there are two committees which have delegated decision making powers for their relevant areas of focus. They are the Resources and Finance Committee and the Quality and Standards Committee.

Arrangements for setting pay and remuneration of key management personnel

The academy trust has a Staff Pay Policy in place which was agreed by the Trustees on 7 July 2017. Section 13 of the Staff Pay Policy deals with the Senior Leadership Pay, including that of the Headteacher. The Policy states that for new appointments the Governing Body will agree the salary level prior to commencement of the recruitment process, taking into account the performance, context and size of the UTC, responsibilities and challenges of the post and any potential difficulties in filling the post, with consideration to parity and equality. For Headteachers in post, the Policy states that the Governing Body is required to review the performance of the Headteacher against previously set targets and determine whether performance pay progression should be awarded. The process for this is outlined in the Appraisal and Capability Policy. This involves the UTC Achievement Partner and the Chair of the Governing Body and two other Governors.

Trade union facility time

The academy trust did not employ any union officials during the period.

Connected organisations, including related party relationships

As required under the model for a university technical college, the academy trust has Employer Sponsors and a University Sponsor who are members of the academy trust and whose role it is to support the academy trust through the pre opening stage and to support the direction of the academy trust. The sponsors each have at least one representative among the Trustees.

Risk Management

The Trustees have assessed the major risks to which the academy is exposed, in particular those related to the operations and finances of the academy, and are satisfied that systems and procedures are in place to mitigate our exposure to the major risks. Financial contingency plans have been developed.

OBJECTIVES AND ACTIVITIES

The following sections set out the main objects of the academy trust and the activities undertaken in the past financial year.

Objects and Aims

The academy trust's object is specifically restricted to the following: to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school, offering a broad and balanced curriculum which includes provision for technical education.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Objects and Aims (Continued)

The principal activity of the academy trust is the operation of University Technical College South Durham to provide education for students of different abilities between the ages of 14 and 19 with emphasis on Advanced Manufacturing and Engineering.

In accordance with the articles of association the academy trust has adopted a 'Scheme of Government' approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to UTC South Durham, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum with emphasis on Advanced Manufacturing and Engineering.

The main objectives of the academy trust during the year ended 31 August 2018 are summarised below:

- Deliver a comprehensive curriculum to meet both national education requirement and the academy trust's specialism.
- Ensure that students achieve good exam results which allow them to progress to the next stage of their career.
- Engage with local businesses to build up a strong employer partner base to support students' education.
- Recruit and enroll the second cohort of students in September 2017.
- Implementation of Marketing and Student Recruitment Strategy in order to recruit a third cohort of students.
- Train and support staff to ensure high quality education. Appointment of staff to fill vacancies and support expansion of student numbers.
- Procure equipment for the academy trust comprising IT, specialist equipment and furniture and fittings.
- Work with the Education and Skills Funding Agency to ensure accommodation is maintained at a high standard and additional equipment is purchased to support student learning.

Objectives, Strategies and Activities

The academy trust's main objectives are set out above. These were achieved through successful recruitment, with 140 additional students joining in year 10 and 44 in year 12. The staff community rose to 44.

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for students between the ages of 14 and 19.

Public benefit

The academy trust became an exempt charity when it opened in September 2016. Trustees have therefore been mindful of the responsibilities in relation to achieving a public benefit. The UTC has allowed access to a specialist education for 14-19 year olds from across a wide geographical area of south Durham and Darlington, while also being accessible from North Yorkshire, Redcar and Cleveland and other North Eastern counties.

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

Achievements and Performance

During the year the academy trust has successfully completed timely achievement of key indicators, milestones and benchmarks. Student recruitment, staff recruitment and educational delivery all hit key milestones. Financial viability for year 2 was achieved through exceeding a minimum viable number of students, financial planning and the year was ended with a healthy carry-forward.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Key performance indicators

As the academy trust was in its second year for the period of this report there is external pupil performance data to report, though no external inspection by Ofsted. The relevant significant key performance indicators are listed in the objectives below.

- Deliver a comprehensive curriculum to meet both national education requirement and the academy trust's specialism. The curriculum delivered by the UTC meets the statutory curriculum for KS4 and maintains significant breadth (including GCSEs in English, English Literature, Maths, Sciences, Geography, Computer Science, D&T, Business) as well as our specialist subjects (Manufacturing, Design, Systems and Control). In addition we meet the recommended offer of PE, PSHE, SMSC and RE. At Post-16 our curriculum consists of Level 3 courses (including A-levels in Maths, Physics, Chemistry, Product Design, Vocational courses in Business and IT and Tech levels in Engineering). We also run a one year Level 2 Performing Engineering Operations course for those who wish to apply for an apprenticeship.
- Ensure that students achieve good exam results which allow them to progress to the next stage of their career. Our first set of exam results are not yet published and data is unvalidated; however, we are able to demonstrate that at GCSE level students achieved value added from their starting points when they joined us and have progressed to a range of level 3 and level 2 destinations. At Level 3, our technical engineering results were excellent and combined with A-level results to ensure that students progressed to their choice of university, apprenticeships or employment.
- Engage with local businesses to build up a strong employer partner base to support students' education. Our founding members and core employer group continue to design and deliver high quality experiences for the students. They also influence the academic curriculum and courses available. Our careers work increased significantly this year, with focused programmes to support students through independent careers advice, work experience placements, mock interviews and support in applications. Destinations outcomes are very positive with all those who wanted to go to University securing a place and other moving on to high quality apprenticeships or employment opportunities.
- Recruit and enroll the second cohort of students in September 2017. Our second cohort started in Sept 17 with 138 students in year 10 (this rose to 144 by October) and 44 in year 12. Our roll for this year was 305.
- Implementation of Marketing and Student Recruitment Strategy in order to recruit a third cohort of students. Marketing and recruitment were tricky this year; we undertook a range of strategies to engage families and access students through schools. Schools have been typically reluctant to allow us to talk to their students, in spite of new statutory guidance, and some have actively been briefing students and parents against the UTC. Recruitment for Year 10 was successful at 135 students in Sept 18 while Year 12 was disappointing at 58 students.
- Train and support staff to ensure high quality education. Appointment of staff to fill vacancies and support expansion of student numbers. A comprehensive CPD programme throughout the year and our appraisal process has meant that staff have developed rapidly and have felt supported. Turnover of teachers was 25% during the year. This is high compared to national average. This is largely due to the UTC being new and requiring a higher level of commitment than other teaching jobs (more teaching, longer hours). Some of those who left were not working to the standard we require.
- Procure equipment for the academy trust comprising IT, specialist equipment and furniture and fittings. Further investment from capital budgets has seen industry standard equipment in the Engineering Hall, including the creation of a Mechatronics Lab. An additional computer suite was installed and further laptops purchased. FFE was purchased to enhance the provision, most notably a new gym and the re-design of the 6th form area.
- Work with the Education and Skills Funding Agency to ensure accommodation is maintained at a high standard and additional equipment is purchased to support student learning. The snagging list with Willmott Dixon is still to be finally signed off but is now complete. There were major snags with the Engineering Hall floor and Studio floor – both have been satisfactorily resolved – as well as external drainage.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Going concern

The Board of Trustees has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

FINANCIAL REVIEW

The majority of the academy trust's income for this past financial year was obtained from the Department of Education (DfE) via the Education and Skills Funding Agency (ESFA). In addition to funding received from DfE/ESFA the trust received funds from Hitachi Rail Europe Limited in the form of sponsorship of the Engineering Hall and from Gestamp Tallent Limited in the form of sponsorship of a minibus.

The grants received from the DfE/ESFA and income from the Hitachi Rail Europe Limited and Gestamp Tallent Limited and the associated expenditure are shown as unrestricted funds in the Statement of Financial Activities.

The academy also receives grants for fixed assets from the DfE/ESFA. In accordance with The Charities SORP (FRS102), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the year ended 31 August 2018, total expenditure of £2,977,000 was exceeded by recurrent grant funding from the DfE/ESFA together with other incoming resources. The excess of income over expenditure for the year (before LGPS adjustments, and excluding restricted fixed asset funds) was £22,000.

All of the expenditure shown in the Statement of Financial Activities is in furtherance of the academies objectives.

At 31 August 2018 the net book value of fixed assets was £10,046,000 and movements in intangible and tangible fixed assets are shown in notes 13 and 14 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the students of the academy trust.

The provisions of Financial Reporting Standard (FRS) 102 have been applied in full in respect of the LGPS pensions scheme, resulting in a deficit of £124,000 recognised on the balance sheet.

The academy held fund balances at 31 August 2018 of £10,159,000 comprising £103,000 of restricted general funds, £10,054,000 of restricted fixed asset funds, £(124,000) of pension reserve and £126,000 of unrestricted funds.

Reserves policy

The academy trust holds restricted and unrestricted funds (the attached financial statements detail these funds). Unrestricted funds are held for the purpose of:

- UTC activity and business engagement to improve the educational attainment and achievement of our students.
- To cover ongoing costs in relation to the running of the academy trust including catering provisions, school trips and uniform costs.

The level of reserves is reviewed by the Trustees regularly throughout the year. The minimum level of reserves for the ongoing needs of the academy trust is reviewed by the Trustees on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees therefore consider it prudent to hold reserves in the general fund in the form of free reserves (total funds less the amount held in fixed assets funds and pension reserve) of £152,000.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Reserves policy (Continued)

This is considered sufficient to cover

- a) Salaries and associated costs for one month.

The academy trust's current level of free reserves being GAG and unrestricted reserves are in surplus by £229,000 and therefore are considered to be above the level of reserves required for the ongoing needs of the academy trust. The Trustees continue to consider additional activities related to the academy trust's objectives to which the excess reserves may be applied including:

- a) Improving the educational attainment and achievement of our students
- b) UTC business activity.
- c) Investing in the infrastructure of the site to ensure facilities continue to meet the needs of our students.

Investments policy

The academy trust has not yet developed an investment policy.

Principal risks and uncertainties

The principal risks and uncertainties are centered on changes in the level of funding from the DfE/ESFA, student recruitment and retention and the management of costs during the opening period.

The Trustees have assessed the major risks, to which the academy trust is currently exposed and keeps those risks under review. The academy trust has developed an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

PLANS FOR FUTURE PERIODS

Future developments

During the year 2018-19 the academy trust is working on establishing the UTC as a high quality education provider. The Trust's key objectives over the next 3 years are:

1. Continue to establish awareness and an outstanding reputation amongst the sub-regional community, education and business sectors.
2. Establish UTC South Durham as a highly desirable place to study for students who are excited about STEM subjects, with a particular focus on the Post-16 offer.
3. Recruit and develop high quality staff and business partners and run an efficient organisation.
4. Establish an inspirational learning environment where all of our students are safe, happy, confident and develop as young adults.
5. Establish an outstanding academic and technical education for all of our students leading to excellent outcomes.
6. Prepare our students for the world of work by helping them to develop their workplace skills.
7. Prepare for and achieve a successful first inspection by Ofsted.

THE DURHAM UTC LIMITED
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Disclosure of information to auditors

Insofar as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustees have taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The Trustees' Report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 27 November 2018 and signed on its behalf by:

D Land
Chair

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

THE DURHAM UTC LIMITED
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GOVERNANCE STATEMENT

Scope of Responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that The Durham UTC Limited has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees has delegated the day-to-day responsibility to the Headteacher, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Durham UTC Limited and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 3 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
D Land, Chair	3	3
Prof. G Holmes, Vice Chair	3	3
S Atkinson	0	1
J Bailey	0	0
TC Dower, Accounting Officer	3	3
P A Gallone	0	3
N Harding	3	3
Prof I G Neal	3	3
M Reid	3	3
L Shepherd	3	3
Dr R Trimble	2	2
H A Whalley	2	3

Governance review:

A governance plan (Scheme of Government) has been adopted by Trustees and approved by the Secretary of State for Education.

The academy trust considered governance at every meeting and met 3 times as a full group during the academic year. During 2017/18 the Trustees approved a suite of policy and procedure documents in order to comply with educational governance practices, adopted a Scheme of Delegation and conducted a skills audit. Most policies are reviewed on a two year cycle though some are reviewed annually (most notably Safeguarding and Admissions). All policies are up to date or currently under review and are being reviewed either when they are due or when they need adapting in light of emerging practice. Two committees have been established (Quality and Standards, Resources and Finance) with delegated power to make decisions and hold the UTC leadership to account.

UTC South Durham is an academy trust, set up as a company limited by guarantee (this is required by the Academies Act 2010). As a company, the trust has members, the founding three being the University of Sunderland, Hitachi Rail Europe Limited and Gestamp Tallent Limited, but as it is limited by guarantee the liabilities of each member is restricted.

Following opening, the academy trust automatically became an 'exempt' charity (meaning it is not required to register as a charity with the Charity Commission) and is regulated by the Secretary of State. The academy trust has a charitable object in its articles of association.

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GOVERNANCE STATEMENT (continued)

Governance review (Continued)

As a company, the academy trust has a Board of Trustees who are also its Directors (referred to as its 'Governors' in the Articles of Association) and who are appointed in accordance with the Articles of Association. It is the Board who are able to direct and bind the academy trust. The Headteacher is Accounting Officer and is also the Chief Executive Officer of the academy trust.

The Resources and Finance Committee is a sub-committee of the main Board of Trustees. Its purpose is to advise the Board of Trustees on all financial and resource matters. The Committee met to establish the terms of reference and approve the budget forecast outturn and the budget forecast return and to approve future staffing levels.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Prof. G Holmes	2	3
D Land	3	3
TC Dower	3	3
H A Whalley	2	3

Review of Value for money

As Accounting Officer, the Headteacher has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the academy trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the academy trust has delivered improved value for money during the year by utilising transparent procurement processes to procure resources, appoint staff or obtain other services. He has also referenced other UTCs and used relevant detailed benchmark data in deciding on the priorities for funding.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The systems and procedures to support the finance function have been further developed following on from the transfer from Sunderland University and are now fit for purpose. The system notes for the new finance system continue to develop as the programme is upgraded.

The Risk and Control Framework

The academy trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

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GOVERNANCE STATEMENT (continued)

The Risk and Control Framework (continued)

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Vicky Robinson, a finance lead at Northern Education Trust, as Responsible Officer (RO).

The Responsible Officer's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In particular the checks carried out in the current period include:

- testing of payroll systems
- testing of purchase systems
- testing of control account/ bank reconciliations
- testing of income
- testing of accounting systems and management information produced

On an annual basis, the Responsible Officer reports to the Board of Trustees on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

As Accounting Officer, the Headteacher has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the Responsible Officer;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Resources and Finance Committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 27 November 2018 and signed on their behalf, by:



D Land
Chair



TC Dower
Accounting Officer

THE DURHAM UTC LIMITED
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The Durham UTC Limited I have considered my responsibility to notify the academy trust Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the academy trust Board of Trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2017.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and ESFA.

T Dower
Accounting Officer



27 November 2018

THE DURHAM UTC LIMITED
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STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees (who act as Governors of The Durham UTC Limited and are also the Directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from ESFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Board of Trustees on 27 November 2018 and signed on its behalf by:



D Land
Chair

THE DURHAM UTC LIMITED
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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
DURHAM UTC LIMITED**

Opinion

We have audited the financial statements of The Durham UTC Limited (the 'academy') for the year ended 31 August 2018 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the academy in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the academy's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the

THE DURHAM UTC LIMITED
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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
DURHAM UTC LIMITED**

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the Directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the academy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the academy or to cease operations, or have no realistic alternative but to do so.

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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
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Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the academy trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the academy trust's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Christopher Beaumont BA (Hons) FCA DChA (Senior Statutory Auditor)

for and on behalf of

Clive Owen LLP

Chartered Accountants
and Statutory Auditor

140 Coniscliffe Road
Darlington
County Durham
DL3 7RT
27 November 2018

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
DURHAM UTC LIMITED AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 1 October 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Durham UTC Limited during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Durham UTC Limited and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Durham UTC Limited and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Durham UTC Limited and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Durham UTC Limited's Accounting Officer and the reporting accountants

The Accounting Officer is responsible, under the requirements of The Durham UTC Limited's funding agreement with the Secretary of State for Education dated 10 March 2015, and the Academies Financial Handbook extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy's income and expenditure.

THE DURHAM UTC LIMITED
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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
DURHAM UTC LIMITED AND THE EDUCATION FUNDING AGENCY (continued)**

Approach (continued)

The work undertaken to draw our conclusion includes:

- Review of governing body and committee minutes;
- Review of termly Internal Assurance reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to Governors and Accounting Officer setting out responsibilities;
- Obtained formal letter of representation detailing the responsibilities of Governors;
- Review of payroll, purchases and expenses claims on a sample basis;
- Confirmation that the lines of delegation and limits set have been adhered to;
- Evaluation of internal control procedures and reporting lines;
- Review cash payments for unusual transactions;
- Review of credit card transactions;
- Review of register of interests;
- Review related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts; and
- Review an instance of gifts/hospitality to ensure in line with policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Clive Owen LLP

Reporting Accountants

140 Coniscliffe Road
Darlington
County Durham
DL3 7RT

27 November 2018

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
INCOME FROM:						
Donations and capital grants	2	-	-	223	223	1,155
Charitable activities	3	50	2,452	23	2,525	1,616
Other trading activities	4	52	-	-	52	25
Investments	5	2	-	-	2	-
TOTAL INCOME		<u>104</u>	<u>2,452</u>	<u>246</u>	<u>2,802</u>	<u>2,796</u>
EXPENDITURE ON:						
Charitable activities		29	2,542	406	2,977	1,951
Transfer from local authority on opening		-	-	-	-	94
TOTAL EXPENDITURE	6	<u>29</u>	<u>2,542</u>	<u>406</u>	<u>2,977</u>	<u>2,045</u>
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
Transfers between Funds	17	75	(90)	(160)	(175)	751
		<u>-</u>	<u>(13)</u>	<u>13</u>	<u>-</u>	<u>-</u>
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		75	(103)	(147)	(175)	751
Actuarial gains on defined benefit pension schemes	21	-	19	-	19	36
NET MOVEMENT IN FUNDS		<u>75</u>	<u>(84)</u>	<u>(147)</u>	<u>(156)</u>	<u>787</u>
RECONCILIATION OF FUNDS:						
Total funds brought forward		51	63	10,201	10,315	9,528
TOTAL FUNDS CARRIED FORWARD		<u>126</u>	<u>(21)</u>	<u>10,054</u>	<u>10,159</u>	<u>10,315</u>

THE DURHAM UTC LIMITED
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REGISTERED NUMBER: 08706625

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	£000	2018 £000	2017 £000
FIXED ASSETS				
Intangible assets	13		15	9
Tangible assets	14		10,031	10,192
			<u>10,046</u>	<u>10,201</u>
CURRENT ASSETS				
Debtors	15	172	2,475	
Cash at bank and in hand		380	130	
		<u>552</u>	<u>2,605</u>	
CREDITORS: amounts falling due within one year	16	(315)	(2,398)	
NET CURRENT ASSETS			<u>237</u>	<u>207</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>10,283</u>	<u>10,408</u>
Defined benefit pension scheme liability	21		(124)	(93)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>10,159</u></u>	<u><u>10,315</u></u>
FUNDS OF THE ACADEMY				
Restricted income funds:				
Restricted income funds	17	103	156	
Restricted fixed asset funds	17	10,054	10,201	
Restricted income funds excluding pension liability		<u>10,157</u>	<u>10,357</u>	
Pension reserve		(124)	(93)	
Total restricted income funds			<u>10,033</u>	<u>10,264</u>
Unrestricted income funds	17		126	51
TOTAL FUNDS			<u><u>10,159</u></u>	<u><u>10,315</u></u>

The financial statements on pages 20 to 46 were approved by the Trustees, and authorised for issue, on 27 November 2018 and are signed on their behalf, by:


**D Land
Chair**

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	19	276	(423)
Cash flows from investing activities:			
Dividends, interest and rents from investments		2	-
Purchase of tangible fixed assets		(241)	(1,155)
Capital grants from DfE Group		223	965
Purchase of intangible fixed assets		(10)	-
Net cash used in investing activities		(26)	(190)
Change in cash and cash equivalents in the year		250	(613)
Cash and cash equivalents brought forward		130	743
Cash and cash equivalents carried forward		380	130

THE DURHAM UTC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgments and key sources of estimation uncertainty, is set out below.

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Durham UTC Limited constitutes a public benefit entity as defined by FRS 102.

1.2 FUND ACCOUNTING

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy at the discretion of the Trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Department for Education Group.

THE DURHAM UTC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.3 INCOME

All income is recognised once the academy has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of Financial Activities incorporating Income and Expenditure Account on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities incorporating Income and Expenditure Account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of Financial Activities incorporating Income and Expenditure Account in the period in which it is receivable, where receipt is probable and it is measurable.

Donations are recognised on a receivable basis where receipt is probable and the amount can be reliably measured.

Other income, including mini bus and catering income, is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

1.4 EXPENDITURE

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on charitable activities are costs incurred on the academy's educational operations, including support costs and those costs relating to the governance of the academy appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.5 GOING CONCERN

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements

1.6 INTANGIBLE FIXED ASSETS AND AMORTISATION

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable, and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment

Amortisation is provided at the following rates:

Computer software	-	100% Straight line
Website	-	33% Straight line

1.7 TANGIBLE FIXED ASSETS AND DEPRECIATION

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	over 50 years
Freehold land	-	none provided
Furniture and fixtures	-	over 5 years
Plant and equipment	-	over 1 year and over 10 years
Computer equipment	-	over 3 years and over 4 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities incorporating Income and Expenditure Account.

THE DURHAM UTC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.8 INTEREST RECEIVABLE

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy trust; this is normally upon notification of the interest paid or payable by the Bank.

1.9 OPERATING LEASES

Rentals under operating leases are charged to the Statement of Financial Activities incorporating Income and Expenditure Account on a straight line basis over the lease term.

1.10 DEBTORS

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.11 CASH AT BANK AND IN HAND

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.12 LIABILITIES AND PROVISIONS

Liabilities and provisions are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.13 FINANCIAL INSTRUMENTS

The academy only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy and their measurement basis are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments.

Cash at bank - is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 15. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments.

THE DURHAM UTC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.14 TAXATION

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.15 PENSIONS

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities incorporating Income and Expenditure Account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

1.16 AGENCY ARRANGEMENTS

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid, and any balances held are disclosed in note 24.

THE DURHAM UTC LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1. ACCOUNTING POLICIES (continued)

1.17 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgment:

Amortisation and Depreciation

Amortisation of the website is calculated to write off the cost of the website, less the estimated residual value, over the expected useful life. An estimate of the useful life of the Website can be found in the Intangible fixed assets and amortisation accounting policy. The value of amortisation charge during the year was £4,000.

Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £402,000.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Capital Grants	-	223	223	1,155
	<hr/>	<hr/>	<hr/>	<hr/>
Total 2017	-	1,155	1,155	
	<hr/>	<hr/>	<hr/>	

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	2,299	2,299	1,005
Post opening grant	-	-	-	238
UTC Transition Grant	-	-	-	200
Pupil Premium	-	73	73	25
Other DfE/ESFA Grants	-	30	30	30
	<u>-</u>	<u>2,402</u>	<u>2,402</u>	<u>1,498</u>
Other government grants				
SEN	-	10	10	-
Other Government Grants	-	17	17	8
	<u>-</u>	<u>27</u>	<u>27</u>	<u>8</u>
Other funding				
Other Grants	-	46	46	-
Sponsorship income	50	-	50	110
	<u>50</u>	<u>46</u>	<u>96</u>	<u>110</u>
	<u>50</u>	<u>2,475</u>	<u>2,525</u>	<u>1,616</u>
Total 2017	<u>110</u>	<u>1,506</u>	<u>1,616</u>	

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Sundry income	50	-	50	23
School trips	2	-	2	-
Catering	-	-	-	2
	<u>52</u>	<u>-</u>	<u>52</u>	<u>25</u>
Total 2017	<u>25</u>	<u>-</u>	<u>25</u>	

THE DURHAM UTC LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

5. INVESTMENT INCOME

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000	Total funds 2017 £000
Investment income - local cash	2	-	2	-

6. EXPENDITURE

	Staff costs 2018 £000	Premises 2018 £000	Other costs 2018 £000	Total 2018 £000	Total 2017 £000
Academy's educational operations:					
Direct costs	1,410	-	299	1,709	808
Support costs	418	443	407	1,268	1,143
	<u>1,828</u>	<u>443</u>	<u>706</u>	<u>2,977</u>	<u>1,951</u>
Total 2017	<u>986</u>	<u>378</u>	<u>587</u>	<u>1,951</u>	

In 2018, of the total expenditure, £29,000 (2017 - £84,000) was to unrestricted funds and £2,948,000 (2017 - £1,961,000) was to restricted funds.

There were no individual transactions exceeding £5,000 for:

- Gifts made by the trust
- Unrecoverable debts
- Fixed asset losses
- Compensation payments
- Stock losses
- Cash losses

There were no ex-gratia payments during this period.

THE DURHAM UTC LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

7. CHARITABLE ACTIVITIES

	2018 £000	2017 £000
DIRECT COSTS		
Wages and salaries	1,100	492
National insurance	100	48
Pension cost	210	111
Educational supplies	49	59
Examination fees	68	33
Staff Development	22	18
Technology Costs	45	7
Educational Consultancy	19	8
Travel and subsistence	2	-
Other direct costs	72	32
	<hr/> 1,687	<hr/> 808
SUPPORT COSTS		
Wages and salaries	345	273
National insurance	29	28
Pension costs	44	34
Depreciation	402	441
Amortisation	4	34
Net interest cost on pension scheme	2	1
Technology Costs	14	10
Recruitment and support	11	6
Maintenance of premises and equipment	52	3
Cleaning	57	39
Rent	-	1
Rates	39	37
Energy	51	53
Insurance	8	5
Security	2	-
Transport	75	35
Catering	35	39
Occupancy Costs	10	10
Bank interest and charges	1	4
Other support costs	92	79
Governance costs	17	11
	<hr/> 1,290	<hr/> 1,143
	<hr/> 2,977	<hr/> 1,951

THE DURHAM UTC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets:		
- owned by the charity	402	441
Amortisation of intangible fixed assets	4	34
Auditors' remuneration - audit	6	6
Auditors' remuneration - other services	3	-
Operating lease rentals	12	10
	<u> </u>	<u> </u>

THE DURHAM UTC LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

9. STAFF COSTS

a. Staff costs

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	1,348	749
Social security costs	129	76
Operating costs of defined benefit pension schemes	254	145
	<hr/> 1,731	<hr/> 970
Agency staff costs	85	16
Staff restructuring costs	12	-
	<hr/> <hr/> 1,828	<hr/> <hr/> 986

Included within operating costs of defined benefit pension schemes is a debit of £48,000 (2017: £34,000) relating to the pension deficit actuarial adjustment.

Staff restructuring costs comprise:

Severance payments	<hr/> 12	<hr/> -
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b. Non-statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory / non-contractual severance payments amounting to £6,000 (2017: £NIL).

c. Staff numbers

The average number of persons employed by the academy during the year was as follows:

	2018 No.	2017 No.
Teachers	25	12
Administration & Support	19	10
Management	3	3
	<hr/> 47	<hr/> 25

d. Higher paid staff

The number of employees whose employee benefits (excluding employer national insurance contributions and employer pension costs) exceeded £60,000 was:

	2018 No.	2017 No.
In the band £80,001 - £90,000	1	1

e. Key management personnel

The key management personnel of the academy trust comprises the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer national insurance and employer pension contributions) received by key management personnel for their services to the academy trust was £285,000 (2017: £231,000).

THE DURHAM UTC LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

10. TRUSTEES' REMUNERATION AND EXPENSES

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Headteacher and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2018 £000	2017 £000
TC Dower, Accounting Officer	Remuneration	85-90	85-90
	Pension contributions paid	10-15	10-15
M Reid	Remuneration	35-40	35-40
	Pension contributions paid	5-10	5-10

During the year, no Trustees received any benefits in kind (2017 - £NIL).

During the year ended 31 August 2018, £255 Trustees received any reimbursement of expenses (2017 - £617 to 1 Trustees).

11. TRUSTEES' AND OFFICERS' INSURANCE

The school has opted into the Department of Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects Trustees and officers from claims arising from negligent acts, error or omissions occurring whilst on academy trust business and provides cover up to £10,000,000. It is not possible to quantify the Trustees and officers indemnity element from the overall cost of the RPA scheme.

12. OTHER FINANCE INCOME

	2018 £000	2017 £000
Interest income on pension scheme assets	3	2
Interest on pension scheme liabilities	(5)	(3)
	<u>(2)</u>	<u>(1)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

13. INTANGIBLE FIXED ASSETS

	Computer software £000	Website £000	Total £000
COST			
At 1 September 2017	30	13	43
Additions	-	10	10
At 31 August 2018	30	23	53
AMORTISATION			
At 1 September 2017	30	4	34
Charge for the year	-	4	4
At 31 August 2018	30	8	38
CARRYING AMOUNT			
At 31 August 2018	-	15	15
At 31 August 2017	-	9	9

14. TANGIBLE FIXED ASSETS

	Freehold property £000	Plant and machinery £000	Furniture and fixtures £000	Computer equipment £000	Total £000
COST					
At 1 September 2017	9,610	423	290	310	10,633
Additions	-	125	65	51	241
At 31 August 2018	9,610	548	355	361	10,874
DEPRECIATION					
At 1 September 2017	188	113	55	85	441
Charge for the year	185	41	66	110	402
At 31 August 2018	373	154	121	195	843
NET BOOK VALUE					
At 31 August 2018	9,237	394	234	166	10,031
At 31 August 2017	9,422	310	235	225	10,192

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15. DEBTORS

	2018 £000	2017 £000
Trade debtors	10	9
VAT recoverable	31	2,166
Prepayments and accrued income	131	300
	<u>172</u>	<u>2,475</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Trade creditors	153	211
Other taxation and social security	33	20
Other creditors	48	2,135
Accruals and deferred income	81	32
	<u>315</u>	<u>2,398</u>

DEFERRED INCOME

	2018 £000	2017 £000
Resources deferred during the year	51	-
Deferred income at 31 August 2018	<u>51</u>	<u>-</u>

Deferred income relates to Rates Relief and Cummins Grant received in advance.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

17. STATEMENT OF FUNDS

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
UNRESTRICTED FUNDS						
General Funds - all funds	51	104	(29)	-	-	126
RESTRICTED FUNDS						
General Annual Grant (GAG)	156	2,298	(2,338)	(13)	-	103
Pupil Premium	-	73	(73)	-	-	-
Rates Grant	-	30	(30)	-	-	-
Other government grants	-	27	(27)	-	-	-
Other grants	-	24	(24)	-	-	-
Pension reserve	(93)	-	(50)	-	19	(124)
	63	2,452	(2,542)	(13)	19	(21)
RESTRICTED FIXED ASSET FUNDS						
DFE/ESFA capital grants	10,192	216	(397)	-	-	10,011
Project development grant	9	-	(4)	-	-	5
DFC	-	7	-	-	-	7
GAG	-	-	-	13	-	13
Cummins Grant	-	23	(5)	-	-	18
	10,201	246	(406)	13	-	10,054
Total restricted funds	10,264	2,698	(2,948)	-	19	10,033
Total of funds	10,315	2,802	(2,977)	-	19	10,159

THE DURHAM UTC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

17. STATEMENT OF FUNDS (continued)

The specific purposes for which the funds are to be applied are as follows:

The General Annual Grant (GAG) must be used for the normal running of the academy trust including salaries and related costs, overheads, repairs and maintenance, and insurance.

Pupil Premium is additional funding to be spent as the school sees fit to support deprived students.

Rates Relief is funding to be spent on cost of general rates.

Other Government Grants are received from Durham County Council for pupils transferred into the academy trust as well as Special Education Need funding for children with special needs.

Other Grants are received from Gestamp Tallent as sponsorship money to be utilised where the academy trust requires, also Cummins Grant received to be expended for charitable, religious, scientific, literary, or educational purposes.

The pension reserves is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 21.

The restricted fixed asset funds represent monies received to purchase fixed assets. Depreciation is charged against each fund over the useful economic life of the associated assets.

Unrestricted funds include the income from uniform sales, school trips and catering with the relevant costs allocated accordingly.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

THE DURHAM UTC LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

17. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2017 £000
UNRESTRICTED FUNDS						
General Funds - all funds	-	135	(84)	-	-	51
RESTRICTED FUNDS						
General Annual Grant (GAG)	-	1,005	(849)	-	-	156
Project Development Grant	7	-	(7)	-	-	-
Pupil Premium	-	25	(25)	-	-	-
Rates Grant	-	30	(30)	-	-	-
Other grants	-	8	(8)	-	-	-
Post opening grant	-	238	(238)	-	-	-
UTC Transition Grant	-	200	(200)	-	-	-
Pension reserve	-	-	(129)	-	36	(93)
	<u>7</u>	<u>1,506</u>	<u>(1,486)</u>	<u>-</u>	<u>36</u>	<u>63</u>
RESTRICTED FIXED ASSET FUNDS						
DFE/ESFA capital grants	9,508	1,155	(471)	-	-	10,192
Project development grant	13	-	(4)	-	-	9
	<u>9,521</u>	<u>1,155</u>	<u>(475)</u>	<u>-</u>	<u>-</u>	<u>10,201</u>
Total restricted funds	<u>9,528</u>	<u>2,661</u>	<u>(1,961)</u>	<u>-</u>	<u>36</u>	<u>10,264</u>
Total of funds	<u>9,528</u>	<u>2,796</u>	<u>(2,045)</u>	<u>-</u>	<u>36</u>	<u>10,315</u>

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A CURRENT YEAR 12 MONTHS AND PRIOR YEAR 12 MONTHS COMBINED POSITION IS AS FOLLOWS:

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
UNRESTRICTED FUNDS						
General Funds - all funds	-	239	(113)	-	-	126
RESTRICTED FUNDS						
General Annual Grant (GAG)	-	3,303	(3,187)	(13)	-	103
Project Development Grant	7	-	(7)	-	-	-
Pupil Premium	-	98	(98)	-	-	-
Rates Grant	-	60	(60)	-	-	-
Other government grants	-	27	(27)	-	-	-
Other grants	-	32	(32)	-	-	-
Post opening grant	-	238	(238)	-	-	-
UTC Transition Grant	-	200	(200)	-	-	-
Pension reserve	-	-	(179)	-	55	(124)
	<u>7</u>	<u>3,958</u>	<u>(4,028)</u>	<u>(13)</u>	<u>55</u>	<u>(21)</u>
RESTRICTED FIXED ASSET FUNDS						
DFE/ESFA capital grants	9,508	1,371	(868)	-	-	10,011
Project development grant	13	-	(8)	-	-	5
DFC	-	7	-	-	-	7
GAG	-	-	-	13	-	13
Cummins Grant	-	23	(5)	-	-	18
	<u>9,521</u>	<u>1,401</u>	<u>(881)</u>	<u>13</u>	<u>-</u>	<u>10,054</u>
	<u>9,528</u>	<u>5,359</u>	<u>(4,909)</u>	<u>-</u>	<u>55</u>	<u>10,033</u>
Total of funds	<u>9,528</u>	<u>5,598</u>	<u>(5,022)</u>	<u>-</u>	<u>55</u>	<u>10,159</u>

THE DURHAM UTC LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000
Intangible fixed assets	-	-	15	15
Tangible fixed assets	-	-	10,031	10,031
Current assets	129	415	8	552
Creditors due within one year	(3)	(312)	-	(315)
Provisions for liabilities and charges	-	(124)	-	(124)
	<u>126</u>	<u>(21)</u>	<u>10,054</u>	<u>10,159</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000
Intangible fixed assets	-	-	9	9
Tangible fixed assets	-	-	10,192	10,192
Current assets	51	2,554	-	2,605
Creditors due within one year	-	(2,398)	-	(2,398)
Provisions for liabilities and charges	-	(93)	-	(93)
	<u>51</u>	<u>63</u>	<u>10,201</u>	<u>10,315</u>

19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £000	2017 £000
Net (expenditure)/income for the year (as per Statement of Financial Activities)	(175)	751
Adjustment for:		
Depreciation and amortisation charges	406	475
Dividends, interest and rents from investments	(2)	-
Decrease/(increase) in debtors	2,303	(21)
Decrease in creditors	(2,083)	(792)
Capital grants from DfE and other capital income	(223)	(965)
Defined benefit pension scheme cost less contributions payable	48	128
Defined benefit pension scheme finance cost	2	1
Net cash provided by/(used in) operating activities	<u>276</u>	<u>(423)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Cash in hand	380	130
Total	<u>380</u>	<u>130</u>

21. PENSION COMMITMENTS

The academy trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Durham County Council. Both are Multi-Employer Defined Benefit Pension Schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2015 and of the LGPS 31 March 2016.

Contributions amounting to £26,000 were payable to the schemes at 31 August 2018 (2017 - 16,000) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge.
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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21. PENSION COMMITMENTS (continued)

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 September 2019.

The employer's pension costs paid to TPS in the period amounted to £158,000 (2017 - £90,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The academy trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £67,000 (2017 - £30,000), of which employer's contributions totalled £48,000 (2017 - £21,000) and employees' contributions totalled £19,000 (2017 - £9,000). The agreed contribution rates for future years are 15.0% for employers and 5.5 - 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Principal actuarial assumptions:

	2018	2017
Discount rate for scheme liabilities	2.80 %	2.50 %
Rate of increase in salaries	3.50 %	3.40 %
Rate of increase for pensions in payment / inflation	2.00 %	1.90 %
Inflation assumption (CPI)	2.00 %	1.90 %
Commutation of pensions to lump sums	80.00 %	80.00 %

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2018	2017
Retiring today		
Males	23.3	23.2
Females	25.0	24.9
Retiring in 20 years		
Males	25.5	25.4
Females	27.3	27.2

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**NOTES TO THE FINANCIAL STATEMENTS
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21. PENSION COMMITMENTS (continued)

	At 31 August 2018 £000	At 31 August 2017 £000
Sensitivity analysis		
Discount rate +0.1%	284	193
Discount rate -0.1%	302	205
Mortality assumption - 1 year increase	285	193
Mortality assumption - 1 year decrease	301	205
CPI rate +0.1%	298	202
CPI rate -0.1%	288	196

The academy trust's share of the assets in the scheme was:

	Fair value at 31 August 2018 £000	Fair value at 31 August 2017 £000
Equities	82	52
Government bonds	42	33
Corporate bonds	22	9
Property	12	8
Cash and other liquid assets	11	4
Total market value of assets	169	106

The actual return on scheme assets was £6,000 (2017 - £8,000).

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

	2018 £000	2017 £000
Current service cost	(90)	(55)
Interest income	3	2
Interest cost	(5)	(3)
Total	(92)	(56)

Movements in the present value of the defined benefit obligation were as follows:

	2018 £000	2017 £000
Opening defined benefit obligation	199	163
Current service cost	90	55
Interest cost	5	3
Employee contributions	17	9
Actuarial gains	(16)	(30)
Benefits paid	(2)	(1)
Closing defined benefit obligation	293	199

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**NOTES TO THE FINANCIAL STATEMENTS
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21. PENSION COMMITMENTS (continued)

Movements in the fair value of the academy's share of scheme assets:

	2018 £000	2017 £000
Opening fair value of scheme assets	106	69
Interest income	3	2
Actuarial losses	3	6
Employer contributions	42	21
Employee contributions	17	9
Benefits paid	(2)	(1)
	<hr/>	<hr/>
Closing fair value of scheme assets	169	106
	<hr/>	<hr/>

22. OPERATING LEASE COMMITMENTS

At 31 August 2018 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	2018 £000	2017 £000
AMOUNTS PAYABLE:		
Within 1 year	9	10
Between 1 and 5 years	9	18
	<hr/>	<hr/>
Total	18	28
	<hr/>	<hr/>

23. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy trust and the composition of the Board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which Trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

University of Sunderland a legally independent corporate institute who are also a sponsor of The Durham UTC Limited.

Expenditure Related Party Transactions

- The academy trust paid for recharges of all costs incurred by University of Sunderland on the academy trust's behalf totalling £12,000 (2017: £NIL) during the period. The amount outstanding at 31 August 2018 totalled £NIL (2017: £12,000) and were included in other creditors.
- The academy trust also received materials and training from Gestamp Tallent Limited amounting to £13,000 net of VAT in 2017, the VAT of £3,000 has been charge during the period. The amount outstanding at 31 August 2018 totalled £15,000 (2017: £13,000).
- All transactions and recharges were made at arms' length in accordance with its financial regulations.
- In entering into transactions the academy trust has complied with the requirements of the Academies Financial Handbook 2017.

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NOTES TO THE FINANCIAL STATEMENTS
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23. RELATED PARTY TRANSACTIONS (continued)

Income Related Party Transaction

- The academy trust recharged North East Futures UTC for payroll costs paid on their behalf during their initial set up period totalling £12,000 (2017: £NIL) The amount outstanding at 31 August 2018 totalled £NIL (2017: £NIL).
- The academy trust received sponsorship money from Hitachi Rail Europe Ltd amounting to £50,000 (2017: £100,000). The amount outstanding at 31 August 2018 totalled £NIL (2017: £NIL).
- The academy trust received £10,000 (2017: £10,000) from Gestamp Tallent Ltd. The amount outstanding at 31 August 2018 totalled £10,000 (2017: £10,000).

24. AGENCY ARRANGEMENTS

The academy distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2018 the academy received £8,000 (2017: £11,000) and disbursed £6,000 (2017: £5,000) from the fund. An amount of £8,000 (2017: £6,000) is included in other creditors.